

**Huntsville Town Corporation**  
**Huntsville, Utah**

**Financial Statements**

**For the Year Ended June 30, 2006**

**Ulrich & Associates, PC**  
**Certified Public Accountants**  
**Ogden, Utah**

# Huntsville Town Corporation

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# Ulrich & Associates, PC

Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Members  
of the Town Council  
Huntsville Town Corporation  
Huntsville, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Huntsville Town Corporation as of and for the year ended June 30, 2006, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Huntsville Town Corporation's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of Huntsville Town Corporation as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2006 on our consideration of Huntsville Town Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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The management's discussion and analysis and budgetary comparison information, on the pages immediately following this report, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Whitcomb & Associates, P.C.*

November 27, 2006

# Huntsville Town Corporation

## Management's Discussion and Analysis

June 30, 2006

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As management of Huntsville Town, we offer readers of the Huntsville Town financial statements this narrative overview and analysis of the financial activities of Huntsville Town for the fiscal year ended June 30, 2006.

### Financial highlights

The total net assets of \$3,053,286 is made up of \$3,751,798 in capital assets and other net assets of \$454,244, less related debt of \$1,152,756.

In the enterprise fund, operating expenditures exceeded revenues by \$56,246. This includes a non-cash charge for depreciation of \$127,333. Income before transfers, however, was \$4,051.

Total long-term liabilities of the Town were reduced by \$14,373.

### Reporting the Town as a whole

This discussion and analysis is intended to serve as an introduction to Huntsville Town's basic financial statements. Huntsville Town's basic financial statements comprise three components 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also include other supplementary information in addition to the basic financial statements.

The government-wide financial statements are designed to provide readers with a broad overview of Huntsville Town's finances, in a manner similar to a private-sector business.

The statements of net assets presents information on all of Huntsville Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Huntsville Town is improving or deteriorating. However, you will also need to consider other nonfinancial factors.

The statement of activities presents information showing how the Town's net assets changed during the fiscal year reported. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Both of the government-wide financial statements distinguish functions of Huntsville Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

The government-wide financial statements can be found on the pages directly following this report.

**Huntsville Town Corporation**  
**Management's Discussion and Analysis**  
**June 30, 2006**

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Reporting the Town's most significant funds

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Huntsville Town also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

Governmental funds - These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. These fund statements focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general governmental operations and the basic services it provides. Governmental fund information helps users determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation included with the fund financial statements.

The major governmental funds (as determined by generally accepted accounting principles) are the general fund, capital projects fund, and the cemetery perpetual care permanent fund.

Proprietary funds - Huntsville Town maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Huntsville Town uses an enterprise fund to account for its water and sewer utilities.

As determined by generally accepted accounting principles, the enterprise fund meets the criteria of major fund classification.

# Huntsville Town Corporation

## Management's Discussion and Analysis

June 30, 2006

### Government-wide financial analysis

Net assets, over time, are intended to serve as an indicator of a government's financial position. In the case of Huntsville Town, assets exceeded liabilities by \$3,053,286, an increase of \$12,825 over the prior year. This small increase was mostly a result of the addition of fixed assets (including construction in process) less non-cash charges of depreciation, the largest amount of depreciation from the water system. By far, the largest portion of Huntsville Town's net assets is its investment in capital assets (e.g., land, buildings, machinery and equipment). The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. It should be noted that the resources needed to repay debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The Town has chosen to provide for a cemetery perpetual care fund. In the government wide financials, the cost of cemetery care and maintenance totaled \$15,125. Revenues are generated from lot sales, interment fees, and interest earnings. In the past, the town allocated 40% of the lot fee and 0% of the interment fee to the perpetual care fund. Starting two years ago, the Town increased the allocation to 50% in both categories. The Town is trying to reach a balance of \$200,000 in this fund. At present, the balance exceeds \$110,000 however, the interest earnings are transferred to the general fund to be used for upkeep and maintenance.

### Statement of net assets

	Governmental Activities		Business-Type Activities	
	2006	2005	2006	2005
Current and other assets	\$ 318,801	352,536	228,385	153,722
Capital assets	500,633	484,644	3,251,165	3,260,864
Total assets	819,434	837,180	3,479,550	3,414,586
Long-term debt outstanding	-	-	1,152,756	1,167,129
Other liabilities	12,060	8,580	80,882	35,595
Total liabilities	12,060	8,580	1,233,638	1,202,724
Net assets				
Invested in capital assets, net of debt	525,033	484,644	1,984,992	2,093,735
Restricted	114,723	175,301	38,078	29,667
Unrestricted	167,618	168,655	222,842	88,460
Total net assets	\$ 807,374	828,600	2,245,912	2,211,862

**Huntsville Town Corporation**  
**Management's Discussion and Analysis**  
June 30, 2006

Changes in net assets

	Government Activities 2006	Business- Type Activities 2006
Revenues		
Program revenues		
Charges for services	\$ 142,493	150,242
Operating grants & contributions	51,375	-
General revenues		
Property taxes	38,118	-
General sales and use tax	87,652	-
Interest income	10,167	5,523
Total revenues	<u>329,805</u>	<u>155,765</u>
Expenses		
General government	135,300	-
Public safety	42,566	-
Highways/public improvements	69,499	-
Parks and recreation	37,200	-
Other	36,466	-
Water & waste collection	-	206,488
Total expenses	<u>321,031</u>	<u>206,488</u>
Transfers	(30,000)	30,000
Impact fees	-	7,500
Federal grant	-	102,405
Interest expense	-	(55,131)
Increase (decrease) in net assets	<u>(21,226)</u>	<u>34,051</u>
Net assets, beginning of year	<u>828,600</u>	<u>2,211,861</u>
Net assets, end of year	<u><u>\$ 807,374</u></u>	<u><u>2,245,912</u></u>

Financial analysis of governmental funds

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements.



**Huntsville Town Corporation**  
**Management's Discussion and Analysis**  
**June 30, 2006**

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As of June 30, 2006, the Town's general fund reported a fund balance of \$101,306. This represents a decrease of \$42,516 (29.56%) from last year's ending balances. This decrease was budgeted for, by management, as a fund balance appropriation to help keep the general fund balance in compliance with the State. The decrease included transfers to the utility and capital projects funds to reduce the general fund balance while helping with capital expenditures in the capital projects fund and helping with a small portion of a new water project (that is funded mostly by a grant) in the water fund.

The general fund is the chief operating fund of the Town. All activities which are not required to be accounted for in separate funds either by state or local ordinance or by a desire to maintain a matching of revenues and expenses are accounted for in this fund.

Taxes continue to be the largest source of revenue in the general fund and represent 40% of total general fund revenues, which is very consistent with prior years. The largest element of taxes is sales tax, as has been the case for the last several years. Sales tax is followed by property tax, which represent 64% and 30% of general fund tax revenue, respectively.

The Town maintains only one enterprise fund to account for their business-type activities. The separate fund statements included in this report provide the same information for business-type activities as is provided in the government-wide financial statements. However, the difference is that the fund statements provide much more detail.

Significant changes in the governmental funds include an overall increase in revenues of 6.66%. This was mostly due to a slight increase in all areas except fines and forfeitures. In the prior year, a new on-line system was implemented for Justice Courts warrants. The new State-wide warrant system helps officers identify individuals with outstanding warrants, and aids in collection of these funds through IRS tax refund garnishment. While prior year collections were \$58,281 (due to the fact that it was the first year in use and it helped aid in the collection of old warrants) current year collections remained much higher than previous years, at \$42,975. Additionally, building permits, 4th of July income, and interest income had the greatest increase over the prior year.

Significant changes in business-type activities include revenue of \$102,405 on a \$218,050 CDBG reimbursement grant for a project in the water fund, and a \$14,373 decrease in debt due to regular principal payments.

**General fund budgetary highlights**

During the current fiscal year the general fund's original budget was amended from an expenditure total of \$378,500 to a final budget of \$380,300 for an increase of \$1,800 or .48%. These slight increases were made by council decision (and approved at council meeting) to get each account to the desired balance at year end.

# Huntsville Town Corporation

## Management's Discussion and Analysis

June 30, 2006

### Capital asset and debt administration

#### Capital assets

Huntsville Town had another year of significant increases in infrastructure and improvements. The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2006, amounts to \$83,062 of machinery and equipment, \$12,200 in infrastructure, and \$113,417 in construction in process for water system improvements. The water improvements consist mainly of replacing water lines in the Town, and is funded primarily by a CDBG reimbursement grant. Prior to July 1, 2003, governmental funds' infrastructure assets were not capitalized.

Major capital asset events during the current fiscal year included the following:

- \$29,950 for a dump truck in the general fund.
- \$8,500 (\$3,400 in water and \$5,100 in the general fund)  
of additional payment with the trade in, for a new backhoe.
- \$4,000 for an ice rink sweeper in the capital projects fund.
- \$12,200 for new street signs in the capital projects fund.
- \$113,417 in construction in process for water system improvements.

#### Huntsville Town's Capital Assets

	Government Activities 2006	Business- Type Activities 2006
Land	53,000	-
Construction in process	-	113,417
Water stock and rights	-	6,000
Buildings	349,422	-
Improvements	163,384	-
Distribution mains and reservoir	-	3,656,430
Machinery and equipment	312,882	83,326
Infrastructure	16,971	-
Less: Accumulated depreciation	(395,026)	(608,008)
Total	<u>500,633</u>	<u>3,251,165</u>

Additional information on the Town's capital assets can be found in the footnotes of this report.

**Huntsville Town Corporation**  
**Management's Discussion and Analysis**  
**June 30, 2006**

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Long-term debt

At June 30, 2006, the Town had total bonded debt outstanding of \$1,152,756. This debt is secured solely by specific revenue sources (i.e., revenue bonds).

Huntsville Town's Long-Term Debt

	Business- Type Activities 2006
Water revenue bonds	<u>\$ 1,152,756</u>

The Town's total debt decreased by \$14,373 during the fiscal year.

Additional information on the outstanding debt obligations of the Town can be found in the footnotes to this report.

## **BASIC FINANCIAL STATEMENTS**

# Huntsville Town Corporation

## Statement of Net Assets

June 30, 2006

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
<b><u>Assets</u></b>			
Cash and cash equivalents	\$ 28,273	90,477	118,750
Cash with fiscal agents	206,338	54,110	260,448
Accounts receivable - net	64,284	83,798	148,082
Due from other funds	19,906	-	19,906
Capital assets (net of accumulated depreciation)			
Land	53,000	-	53,000
Construction in process	-	113,417	113,417
Water rights	-	6,000	6,000
Buildings	194,399	-	194,399
Improvements	141,908	3,107,951	3,249,859
Machinery and equipment	94,673	23,797	118,470
Infrastructure	16,653	-	16,653
Total assets	819,434	3,479,550	4,298,984
<b><u>Liabilities</u></b>			
Accounts payable and accrued liabilities	8,360	60,981	69,341
Due to other funds	-	19,901	19,901
Other current liabilities	3,700	-	3,700
Loan payable revenue bonds - current	-	15,076	15,076
Loan payable revenue bonds - noncurrent	-	1,137,680	1,137,680
Total liabilities	12,060	1,233,638	1,245,698
<b><u>Net Assets</u></b>			
Invested in capital assets, net of related debt	525,033	1,984,992	2,510,025
Restricted for debt	-	38,078	38,078
Restricted for cemetery perpetual care	114,723	-	114,723
Restricted for class C road	-	-	-
Unrestricted	167,618	222,842	390,460
Total net assets	\$ 807,374	2,245,912	3,053,286

The notes to the financial statements are an integral part of this statement.

# Huntsville Town Corporation

## Statement of Activities

### For the Year Ended June 30, 2006

Function/Programs	Program Revenues			Net (Expense) Revenues & Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-type Activities	Total
<b>Primary government</b>						
Governmental activities						
General government	\$ 135,300	46,438	1,636	(87,226)		(87,226)
Public safety/court	42,566	42,975	1,611	2,020		2,020
Highways and public improvements	69,499	2,000	40,978	(26,521)		(26,521)
Parks and recreation	37,200	42,300	7,150	12,250		12,250
Cemetery	15,125	8,780	-	(6,345)		(6,345)
Capital outlay	20,701	-	-	(20,701)		(20,701)
Miscellaneous	640	-	-	(640)		(640)
Total governmental activities	321,031	142,493	51,375	(127,163)		(127,163)
<b>Business-type activities</b>						
Water utility	178,551	118,550	-		(60,001)	(60,001)
Waste collection	27,937	31,692	-		3,755	3,755
Total business-type activities	206,488	150,242	-		(56,246)	(56,246)
Total primary government	527,519	292,735	51,375	(127,163)	(56,246)	(183,409)
<b>General revenues:</b>						
Property taxes				38,118	-	38,118
General sales and use tax				80,086	-	80,086
Muni telecom tax				7,566	-	7,566
Impact fees				-	7,500	7,500
Federal grant				-	102,405	102,405
Net interest earnings (expense)				10,167	(49,608)	(39,441)
Transfers				(30,000)	30,000	-
Total general revenues				105,937	90,297	196,234
Change in net assets				(21,226)	34,051	12,825
Net assets - beginning				828,600	2,211,861	3,040,461
Net assets - ending				\$ 807,374	2,245,912	3,053,286

The notes to the financial statements are an integral part of this statement.

# Huntsville Town Corporation

## Balance Sheet

### Governmental Funds

For the Year Ended June 30, 2006

	General Fund	Capital Projects	Cemetery Perpetual Care	Total Governmental Funds
<b><u>Assets</u></b>				
Cash and cash equivalents	\$ 8,658	19,615	-	28,273
Cash with fiscal agents	50,491	41,574	114,273	206,338
Receivables (net)				
Accounts	63,834	-	450	64,284
Due from other funds	19,812	94	-	19,906
Total assets	<u>142,795</u>	<u>61,283</u>	<u>114,723</u>	<u>318,801</u>
<b><u>Liabilities and Fund Balances</u></b>				
<b>Liabilities</b>				
Accounts payable	3,372	4,988	-	8,360
Other current liabilities	3,700	-	-	3,700
Deferred revenue	34,417	-	-	34,417
Total liabilities	<u>41,489</u>	<u>4,988</u>	<u>-</u>	<u>46,477</u>
<b>Fund Balances</b>				
Reserved for				
Roads	-	-	-	-
Unreserved, reported in				
General Fund	101,306	-	-	101,306
Capital Projects Funds	-	56,295	-	56,295
Cemetery Perpetual Care	-	-	114,723	114,723
Total fund balances	<u>101,306</u>	<u>56,295</u>	<u>114,723</u>	<u>272,324</u>
Total liabilities and fund balances	<u>\$ 142,795</u>	<u>61,283</u>	<u>114,723</u>	<u>318,801</u>

The notes to the financial statements are an integral part of this statement.

**Huntsville Town Corporation**  
**Balance Sheet Reconciliation to Statement of Net Assets**  
**June 30, 2006**

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Amounts reported for governmental activities in the statement of net assets are different because:

Total fund balances - governmental fund types	\$ 272,324
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	500,633
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Long-term assets not available to pay for current period expenditures and, therefore, are deferred in the funds.	34,417
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Net assets of government activities	<u>\$ 807,374</u>
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The notes to the financial statements are an integral part of this statement.



**Huntsville Town Corporation**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2006**

	General Fund	Capital Projects	Cemetery Perpetual Care	Total Governmental Funds
<b><u>Revenues</u></b>				
Taxes	\$ 125,493	-	-	125,493
Licenses and permits	24,092	-	-	24,092
Intergovernmental	43,982	-	-	43,982
Charges for services	64,771	-	2,850	67,621
Fines and forfeitures	42,975	-	-	42,975
Interest	2,697	2,723	4,747	10,167
Miscellaneous revenue	7,805	-	-	7,805
Contributions	243	7,150	-	7,393
Total revenues	<u>312,058</u>	<u>9,873</u>	<u>7,597</u>	<u>329,528</u>
<b><u>Expenditures</u></b>				
<b>Current</b>				
General government	121,345	19,298	-	140,643
Public safety	42,566	-	-	42,566
Highways and public works	64,130	-	-	64,130
Parks and recreation	14,242	7,711	-	21,953
Cemetery	11,180	157	-	11,337
Capital outlay	55,751	-	-	55,751
Miscellaneous	107	533	-	640
Total expenditures	<u>309,321</u>	<u>27,699</u>	<u>-</u>	<u>337,020</u>
Excess revenues over (under) expenditures	<u>2,737</u>	<u>(17,826)</u>	<u>7,597</u>	<u>(7,492)</u>
<b>Other financing sources (uses)</b>				
Transfers in	4,747	20,000	-	24,747
Transfers (out)	<u>(50,000)</u>	<u>-</u>	<u>(4,747)</u>	<u>(54,747)</u>
Total other financing sources and uses	<u>(45,253)</u>	<u>20,000</u>	<u>(4,747)</u>	<u>(30,000)</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>(42,516)</u>	<u>2,174</u>	<u>2,850</u>	<u>(37,492)</u>
Fund balance - beginning of year	<u>143,822</u>	<u>54,121</u>	<u>111,873</u>	<u>309,816</u>
Fund balance - end of year	<u>\$ 101,306</u>	<u>56,295</u>	<u>114,723</u>	<u>272,324</u>

The notes to the financial statements are an integral part of this statement.

**Huntsville Town Corporation**  
**Statement of Changes Reconciliation to Statement of Activities**  
**For the Year Ended June 30, 2006**

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Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds	\$ (37,492)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	15,989
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	<u>277</u>
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Change in net assets of governmental activities	<u><u>\$ (21,226)</u></u>
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The notes to the financial statements are an integral part of this statement.

**Huntsville Town Corporation**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
<b><u>Revenues</u></b>				
Taxes	\$ 124,500	121,140	125,493	4,353
Licenses and permits	37,000	27,200	24,092	(3,108)
Intergovernmental	44,500	41,700	43,982	2,282
Charges for services	53,200	60,500	64,771	4,271
Fines and forfeitures	44,000	44,000	42,975	(1,025)
Interest	7,000	7,200	2,697	(4,503)
Miscellaneous revenue	32,000	37,000	7,805	(29,195)
Contributions	1,393	1,393	243	(1,150)
Total revenues	<u>343,593</u>	<u>340,133</u>	<u>312,058</u>	<u>(28,075)</u>
<b><u>Expenditures</u></b>				
Current				
General government	126,000	148,800	121,452	27,348
Public safety	54,000	59,500	42,566	16,934
Highways and public works	55,500	74,000	64,130	9,870
Parks and Recreation	14,000	18,000	14,242	3,758
Cemetery	13,500	14,000	11,180	2,820
Capital outlay	115,500	66,000	55,751	10,249
Total expenditures	<u>378,500</u>	<u>380,300</u>	<u>309,321</u>	<u>70,979</u>
Excess revenues over (under)				
expenditures	<u>(34,907)</u>	<u>(40,167)</u>	<u>2,737</u>	<u>42,904</u>
<b><u>Other financing sources (uses)</u></b>				
Transfers in	-	-	4,747	4,747
Transfers (out)	<u>(50,000)</u>	<u>(50,000)</u>	<u>(50,000)</u>	<u>-</u>
Total other financing sources and uses	<u>(50,000)</u>	<u>(50,000)</u>	<u>(45,253)</u>	<u>4,747</u>
Excess of revenues and other sources				
over (under) expenditures and other uses	<u>(84,907)</u>	<u>(90,167)</u>	<u>(42,516)</u>	<u>47,651</u>
Fund balances - beginning of year	<u>143,822</u>	<u>143,822</u>	<u>143,822</u>	<u>-</u>
Fund balances - end of year	<u>\$ 58,915</u>	<u>53,655</u>	<u>101,306</u>	<u>47,651</u>

The notes to the financial statements are an integral part of this statement.

**Huntsville Town Corporation**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2006**

	Business-Type Activities - Enterprise
	Public
	Utility
<b><u>Assets</u></b>	
Current assets	
Cash and cash equivalents	\$ 52,399
Cash with fiscal agent	54,110
Accounts receivable - net	83,798
Total current assets	<u>190,307</u>
Noncurrent assets	
Restricted cash and cash equivalents	38,078
Land, equipment, buildings and improv.	3,859,173
Less: Accumulated depreciation	<u>(608,008)</u>
Total noncurrent assets	<u>3,289,243</u>
Total assets	<u><u>3,479,550</u></u>
<b><u>Liabilities</u></b>	
Current liabilities	
Accounts payable and accrued liabilities	60,981
Due to other funds	19,901
Current portion revenue bonds	<u>15,076</u>
Total current liabilities	<u>95,958</u>
Noncurrent liabilities	
Revenue bonds (net current portion)	<u>1,137,680</u>
Total noncurrent liabilities	<u>1,137,680</u>
Total liabilities	<u><u>1,233,638</u></u>
<b><u>Net Assets</u></b>	
Invested in capital assets, net of related debt	2,098,409
Restricted for debt reserve	38,078
Unrestricted	<u>109,425</u>
Total net assets	<u>2,245,912</u>
Total liabilities and net assets	<u><u>\$ 3,479,550</u></u>

The notes to the financial statements are an integral part of this statement.

**Huntsville Town Corporation**  
**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Year Ended June 30, 2006**

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Public Utility Fund</u>		
	<u>Water Utility</u>	<u>Waste Collection</u>	<u>Total</u>
<b>Operating Revenues</b>			
Charges for services	\$ 118,304	31,692	149,996
Miscellaneous	246	-	246
Total operating revenues	<u>118,550</u>	<u>31,692</u>	<u>150,242</u>
<b>Operating Expenses</b>			
Salaries and wages	18,269	-	18,269
Employee benefits	1,544	-	1,544
Maintenance and supplies	31,405	27,937	59,342
Depreciation and amortization	127,333	-	127,333
Total operating expenses	<u>178,551</u>	<u>27,937</u>	<u>206,488</u>
Operating income	(60,001)	3,755	(56,246)
<b>Nonoperating Revenues (Expenses)</b>			
Interest revenue			5,523
Interest expense and fiscal charges			(55,131)
Impact fees			7,500
Federal grant			102,405
Total nonoperating revenues (expenses)			<u>60,297</u>
Income (loss) before contributions and transfers			4,051
Operating transfers in			<u>30,000</u>
Change in net assets			34,051
Total net assets - beginning			<u>2,211,861</u>
Total net assets - ending			<u><u>\$ 2,245,912</u></u>

The notes to the financial statements are an integral part of this statement.

# Huntsville Town Corporation

## Statement of Cash Flows

### Proprietary Funds

For the Year Ended June 30, 2006

	Public Utility Fund
<b>Cash flows from operating activities</b>	
Receipts from customers	\$ 90,560
Payments to suppliers	(14,055)
Payments to employees	(19,813)
Net cash provided (used) by operating activities	<u>56,692</u>
<b>Cash flows from noncapital financing activities</b>	
Transfers from other funds	<u>30,000</u>
Net cash provided (used) by noncapital financing activities	<u>30,000</u>
<b>Cash flows from capital and related financing activities</b>	
Purchases of capital assets	(133,029)
Disposal of capital assets	15,394
Proceeds from impact fees	7,500
Federal grant	102,405
Principal paid on capital debt	(14,373)
Interest paid on capital debt	(55,131)
Net cash provided (used) by capital and related financing activities	<u>(77,234)</u>
<b>Cash flows from investing activities</b>	
Interest and dividends received	<u>5,523</u>
Net cash provided (used) by investing activities	<u>5,523</u>
Net increase (decrease) in cash and cash equivalents	14,981
Cash and cash equivalents - beginning	129,606
Cash and cash equivalents (deficit) - end	<u><u>\$ 144,587</u></u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities</b>	
Operating income	<u>\$ (56,246)</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	127,333
(Increase) decrease in accounts receivable	(59,682)
Increase (decrease) in accounts payable	45,287
Total adjustments	<u>112,938</u>
Net cash provided (used) by operating activities	<u><u>\$ 56,692</u></u>

The notes to the financial statements are an integral part of this statement.

## **NOTES TO FINANCIAL STATEMENTS**

# Huntsville Town Corporation

## Notes to Financial Statements

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### Note 1 - Summary of Significant Accounting Policies

#### Reporting entity

Huntsville Town is a municipal corporation governed by an elected mayor and four member council. As required by generally accepted accounting principles, these financial statements present the Town and its component units, entities for which the Town is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the Town's operations and so data from these units are combined with data of the primary government. However, there are no component units required to be included in the Town's financial statements.

#### Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the *direct expenses* of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

#### Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.



# Huntsville Town Corporation

## Notes to Financial Statements-Continued

### Note 1 - Summary of Significant Accounting Policies - Continued

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Town reports the following major governmental funds:

The *general fund* is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *capital projects* fund is used to account for financial resources used in the acquisition and construction of major capital improvements.

The *cemetery perpetual care permanent fund* is used to account for certain fees from the purchase of burial rights that are held in this fund. Interest earned from investing these funds is transferred to the general fund to aid in financing cemetery care and maintenance.

The Town reports the following major proprietary funds:

The *water fund* accounts for the operations of the Town's water and sewer system.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

# Huntsville Town Corporation

## Notes to Financial Statements-Continued

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### Note 1 - Summary of Significant Accounting Policies - Continued

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the public utility enterprise fund are charges to customers for sales and services. The fund also recognizes as operating revenue the portion of water connection fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

#### Assets, liabilities, and net assets

##### 1. Deposits and investments

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Town to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool.

Investments for the Town, as well as for its component units, are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

##### 2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds".

All trade, property, sales, and franchise tax receivables are shown net of an allowance for uncollectibles.

# Huntsville Town Corporation

## Notes to Financial Statements-Continued

### Note 1 - Summary of Significant Accounting Policies - Continued

Property taxes are collected by the County Treasurer and remitted to the Town shortly after collection. Property taxes are levied based on property values as of January 1 of each year, with liens posted as of the same date. Taxes are due and payable on November 1 and delinquent after 12 o'clock noon on November 30 of each year.

Sales taxes are collected by the State Tax Commission and remitted to the Town monthly.

Franchise Muni Telecom taxes are also collected by the State Tax Commission and are remitted to the Town monthly.

#### 3. Restricted cash and cash equivalents

Certain resources of the Town's water enterprise funds are set aside for the repayment of revenue bonds, and for repairs of the system as required by applicable bond covenants.

#### 4. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the applicable government or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Prior to July 1, 2003, governmental funds' infrastructure assets were not capitalized.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant, equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	30
Building improvements	15
System infrastructure	15-30
Vehicles	5
Equipment	3-7

# Huntsville Town Corporation

## Notes to Financial Statements-Continued

### Note 1 - Summary of Significant Accounting Policies - Continued

#### 6. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

#### 7. Fund equity

Reserves represent those portions of fund equity not appropriable for expenditure or legally separated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

### Note 2 - Reconciliation of Government-Wide and Fund Financial Statements

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.

The governmental fund balance sheet includes a reconciliation between *total governmental fund balances* and *net assets of governmental activities* as reported in the government-wide statement of net assets. This difference primarily results from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets.

#### Capital related items:

When capital assets (property, plant, and equipment) that are to be used in governmental activities are purchased or constructed, the cost of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the Town as a whole.

Cost of capital assets	\$ 895,659
Accumulated depreciation	<u>(395,026)</u>
Total difference	<u>\$ 500,633</u>

#### Deferred revenue:

Long-term assets applicable to the Town's governmental activities are not available to pay for current expenditures and thus are deferred in government funds. The statement of net assets includes these as revenue:

Deferred revenue - property taxes	\$ 34,417
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# Huntsville Town Corporation

## Notes to Financial Statements-Continued

### **Note 2 - Reconciliation of Government-wide and Fund Financial Statements - continued**

Explanation of differences between governmental fund operating statements and the statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. The first element of this reconciliation states that capital outlays are reported in the governmental funds as expenditures while the government-wide statement of activities allocates these costs over the useful lives of the assets as depreciation. While shown in the reconciliation as the net difference, the elements of this difference are as follows:

Capital outlay	\$ 75,650
Depreciation expense	(35,261)
Capital equipment disposed of net of accumulated depreciation	<u>(24,400)</u>
Net difference as reported	<u>\$ 15,989</u>

### **Note 3 - Stewardship, Compliance, and Accountability**

#### **Budgetary information**

Budgets are prepared and adopted, in accordance with State law, by Huntsville Town Council on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general, and capital projects funds. Tentative budgets must be adopted on or before June 22nd for the following fiscal year, beginning July 1. Final adoption of the budget must be no later than August 17th. Budgets may be increased by resolution of the Town Council at any time during the year. A public hearing must be held regarding any proposed increase in a fund's appropriations. The budget is adopted by fund, function and department. The government's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Town Council. The legal level of budgetary control is the function level. Appropriations lapse at June 30. During the year, supplemental appropriations were made increasing general fund expenditures by \$1,800.

Utah State law states that expenditures being made in excess of those budgeted, is an illegally created debt in violation of the Utah Constitution. As such the total illegally created deficit should be budgeted to be made up in the following fiscal year. Deficits arising from emergencies are not illegal and may be retired over 5 years. The law also allows for the accumulation of a fund balance in the general fund in an amount equal to 75% of the total estimated revenue of the General Fund. In the event that the fund balance, at the end of the fiscal year, is in excess of that allowed, the Town has one year, to determine an appropriate use and then the excess must be included as an available resource in the General Fund budget.

# Huntsville Town Corporation

## Notes to Financial Statements-Continued

### Note 4 - Detailed Notes on all Funds

#### Deposits and investments

The Town maintains cash accounts with local institutions and investment pools with the Utah Public Treasurers' Investment Fund.

Utah State law requires that Town funds be deposited with a "qualified depository" as defined by the Utah Money Management Act. "Qualified depository" includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements as defined in Rule 11 of the Utah Money Management Act. Rule 11 establishes the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and defines capital requirement which an institution must maintain to be eligible to accept public funds.

Deposits and investments for local government are governed by the Utah Money Management Act (Utah Code Annotated, Title 51, Chapter 7, "the Act") and by rules of the Utah Money Management Council ("the Council"). Following are discussions of the Town's exposure to various risks related to its cash management activities.

*Custodial credit risk - Deposits.* This is the risk that in the event of a bank failure, the government's deposits may not be recovered. The Town's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the Town to be in a qualified depository, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of June 30, 2006, \$18,463 of the \$125,518 balance of deposits was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Custodial credit risk - Investments.* This is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments that are in the possession of an outside party. The Town's investment in the Utah Public Treasurer's Investment Fund has no custodial credit risk.

As of June 30, 2006, the Town had the following deposits and investments:

<u>Deposit and investment type</u>	<u>Fair value</u>
Cash on deposit	\$ 125,518
State Treasurer's investment pool	298,525
Total cash and investments	<u>\$ 424,043</u>

*Credit risk.* This is the risk that the counterparty to an investment will not fulfill its obligations. The Town's policy for limiting the credit risk of investments is to comply with the Money Management Act.

# Huntsville Town Corporation

## Notes to Financial Statements-Continued

### Note 4 - Detailed Notes on all Funds - continued

The Town is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances.

For the year ended June 30, 2006, the Town had investments of \$298,525 with the PTIF. The entire balance had a maturity less than one year. The PTIF pool has not been rated.

*Interest rate risk.* This is the risk that changes in interest rates of debt investment will adversely affect the fair value of an investment. The Town manages its exposure to declines in fair value by investment mainly in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

*Concentration of credit risk.* This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Town's investment in the Utah Public Treasurer's Investment Fund has no concentration of credit risk.

Cash and investments reported in the statement of net assets are as follows:

Cash on deposit	\$ 118,750
Utah State Treasurer's investment pool	<u>260,448</u>
Total cash and investments	<u>\$ 379,198</u>

Components of cash and investments (including interest earning deposits) at June 30, 2006, are as follows:

Cash and cash equivalents	\$ 341,120
Restricted cash and cash equivalents and investments	<u>38,078</u>
Total cash and investments	<u>\$ 379,198</u>

# Huntsville Town Corporation

## Notes to Financial Statements-Continued

### Note 4 - Detailed Notes on all Funds - continued

#### Receivables

Receivables as of year end for the government's general and enterprise funds are as follows:

	General	Enterprise	Total
Accounts	\$ 7,065	25,289	32,354
Grants	-	58,509	58,509
Property tax	597	-	597
Sales tax	6,429	-	6,429
B & C road revenue	8,652	-	8,652
Deferred property tax revenue	34,417	-	34,417
Other	6,674	-	6,674
	<u>\$ 63,834</u>	<u>83,798</u>	<u>147,632</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

#### Capital assets

Capital asset activity for the year ended June 30, 2006 was as follows:

Primary government	Beginning			Ending
Governmental activities	Balance	Increases	Decreases	Balance
Capital assets not being depreciated:				
Land	\$ 53,000	-	-	53,000
Water rights	-	-	-	-
Total capital assets not being depreciated	<u>53,000</u>	<u>-</u>	<u>-</u>	<u>53,000</u>



# Huntsville Town Corporation

## Notes to Financial Statements-Continued

### Capital assets - continued

**Capital assets being depreciated:**

Buildings	349,422	-	-	349,422
Improvements	163,384	-	-	163,384
Machinery and equipment	286,032	63,450	(36,600)	312,882
Infrastructure	4,771	12,200	-	16,971

Total capital assets being depreciated	803,609	75,650	(36,600)	842,659
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**Less accumulated depreciation for:**

Buildings	145,389	9,634	-	155,023
Improvements	10,584	10,892	-	21,476
Machinery and equipment	215,992	14,417	(12,200)	218,209
Infrastructure	-	318	-	318

Total accumulated depreciation	371,965	35,261	(12,200)	395,026
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Total capital assets, being depreciated, net	431,644	40,389	(24,400)	447,633
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Governmental activities capital assets, net	\$ 484,644	40,389	(24,400)	500,633
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	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities</b>				
Capital assets not being depreciated:				
Construction in process	\$ -	113,417	-	113,417
Water stock and rights	6,000	-	-	6,000
Total capital assets not being depreciated	6,000	113,417	-	119,417

**Capital assets being depreciated:**

Buildings	-	-	-	-
Improvements	-	-	-	-
Distribution mains and reservoir	3,656,430	-	-	3,656,430
Machinery and equipment	88,114	19,612	(24,400)	83,326

Total capital assets being depreciated	3,744,544	19,612	(24,400)	3,739,756
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**Less accumulated depreciation for:**

Buildings	-	-	-	-
Improvements	-	-	-	-
Distribution mains and reservoir	426,598	121,881	-	548,479
Machinery and equipment	63,082	5,452	(9,005)	59,529
Total accumulated depreciation	489,680	127,333	(9,005)	608,008

Total capital assets, being depreciated, net	3,254,864	(107,721)	(15,395)	3,131,748
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Business-type activities capital assets, net	\$ 3,260,864	5,696	(15,395)	3,251,165
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# Huntsville Town Corporation

## Notes to Financial Statements-Continued

### Note 4 - Detailed Notes on all Funds - continued

Depreciation expense was charged to functions/programs of the primary government as follows:

**Governmental activities:**

General government	\$ 10,539
Public safety	-
Highways and public improvements	5,369
Parks and recreation	15,247
Cemetery	3,788
Infrastructure	318
Total depreciation expense -governmental activities	<u>35,261</u>

**Business-type activities:**

Public utilities	<u>127,333</u>
Total depreciation expense - business-type activates	<u>127,333</u>

Total depreciation expense	<u><u>\$ 162,594</u></u>
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### Interfund receivables, payables, and transfers

Individual interfund receivable and payable balances at June 30, 2006 are as follows:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General fund	\$ 19,812	5
Capital projects	94	-
Public utility	-	19,901
	<u>\$ 19,906</u>	<u>19,906</u>

**Interfund transfers**

<u>Transfers Out:</u>	<u>Transfers In</u>			Total transfers out
	General fund	Capital projects fund	Public utility fund	
General fund	\$ -	20,000	30,000	50,000
Capital projects	-	-	-	-
Cemetery perpetual care	4,747	-	-	4,747
Total transfer in	<u>\$ 4,747</u>	<u>20,000</u>	<u>30,000</u>	<u>54,747</u>

# Huntsville Town Corporation

## Notes to Financial Statements-Continued

### Note 4 - Detailed Notes on all Funds - continued

#### Revenue bonds

The Town issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. The original debt of the 1997 Series A bond was \$813,000 with monthly installments of \$3,862 beginning June 1, 2001, due in 2039. The original debt of the 1999 Series B bond was \$349,000 with monthly installments of \$1,658 beginning June 1, 2001, due in 2039. The original debt of the Series C bond was \$57,200 with monthly installments of \$262, due in 2039. Revenue bonds outstanding at year end are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
1997 Series A Water fund	4.75%	\$ 768,760
1999 Series B Water fund	4.75%	329,999
Series C Water fund	4.75%	53,997
		<u>\$ 1,152,756</u>

Revenue bond debt service requirements to maturity are as follows:

<u>For the year ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 15,076	54,428
2008	15,808	53,696
2009	16,435	53,059
2010	17,244	52,261
2011	18,081	51,423
2012-2016	104,454	243,066
2017-2021	132,393	215,127
2022-2026	167,806	179,714
2027-2031	212,859	134,661
2032-2036	269,581	77,939
2037-2039	183,019	15,691
Total	<u>\$ 1,152,756</u>	<u>1,131,065</u>

#### Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2006 was as follows:

	<u>Beginning</u>			<u>Ending</u>	<u>Due Within</u>
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>One Year</u>
Business-type activities:					
Bonds payable:					
Water revenue bonds	\$ 1,167,129	-	(14,373)	1,152,756	15,076
Total bonds payable	<u>\$ 1,167,129</u>	<u>-</u>	<u>(14,373)</u>	<u>1,152,756</u>	<u>15,076</u>

# Huntsville Town Corporation

## Notes to Financial Statements-Continued

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### Note 5 - Other Information

#### Risk management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance.

#### Contingent liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Town expects such amounts, if any, to be immaterial.

## **SUPPLEMENTARY INFORMATION**

**Huntsville Town Corporation**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual**  
**Capital Projects**  
**For the Year Ended June 30, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b><u>Revenues</u></b>				
Interest	\$ 1,100	2,700	2,723	23
Miscellaneous revenue	-	-	-	-
Contributions	5,000	7,200	7,150	(50)
Total revenues	6,100	9,900	9,873	(27)
<b><u>Expenditures</u></b>				
Current				
General government	5,000	29,000	19,298	9,702
Parks and Recreation	3,000	7,000	7,711	(711)
Cemetery	20,000	-	157	(157)
Miscellaneous	-	-	533	(533)
Total expenditures	28,000	36,000	27,699	8,301
Excess revenues over (under) expenditures	(21,900)	(26,100)	(17,826)	8,274
<b><u>Other financing sources (uses)</u></b>				
Transfers in	20,000	20,000	20,000	-
Transfers (out)	-	-	-	-
Total other financing sources and uses	20,000	20,000	20,000	-
Excess of revenues and other sources over (under) expenditures and other uses	(1,900)	(6,100)	2,174	8,274
Fund balances - beginning of year	34,071	34,071	34,071	-
Fund balances - end of year	\$ 32,171	27,971	36,245	8,274

The notes to the financial statements are an integral part of this statement.

**Huntsville Town Corporation**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Schedule of Impact Fees**  
**For the Year Ended June 30, 2006**

New developments and increased population have an impact on existing structures and equipment at the municipal level. This often requires new or additional construction of water and sewer lines, buildings, parks, and roads within the governmental entity. To help offset the cost these additional needs and requirements, the entity may charge an impact fee. State law requires the local government to have an impact study completed, including an impact fee analysis before any fees may be charged. Additionally, the governmental entity must prepare a capital facility plan, enact impact fee legislation, and track the revenue collected, by source, and the capital facility expenditure it is used for. These funds must be expended with six years of collection.

Huntsville Town has established impact fees for water and building purposes. The following tables indicate the source of the impact fee, remaining unexpended balance, by year, and the planned expenditures by amount and capital project.

The government unit may expend impact fees before they are collected. In these tables, if the Town has expended more than it has collected, there is no reportable balance.

Impact Fee Source - Buildings

<u>Balance</u>	<u>Planned Expenditure</u>	<u>Capital Projects</u>
2006      \$    -		

Impact Fee Source - Water

<u>Balance</u>	<u>Planned Expenditure</u>	<u>Capital Projects</u>
2006      \$    -		

## **OTHER REPORTS**



# **Ulrich & Associates, PC**

*Certified Public Accountants*

## **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

The Honorable Mayor and Members  
of the Town Council  
Huntsville Town Corporation  
Huntsville, Utah

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of Huntsville Town Corporation as of and for the year ended June 30, 2006, which collectively comprise Huntsville Town Corporation's basic financial statements and have issued our report thereon dated November 27, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Huntsville Town Corporation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Huntsville Town Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Huntsville Town Corporation, in a separate letter dated November 27, 2006.

Members of Utah Association of CPAs / American Institute of CPAs

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This report is intended solely for the information and use of management, the Town Council, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Whith & Associates, P.C.*

November 27, 2006

# Ulrich & Associates, PC

Certified Public Accountants

## STATE LEGAL COMPLIANCE REPORT

The Honorable Mayor and Members  
of the Town Council  
Huntsville Town Corporation  
Huntsville, Utah

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of Huntsville Town Corporation as of and for the year ended June 30, 2006, and have issued our report thereon dated November 27, 2006. As part of our audit, we have audited Huntsville Town's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching; level of effort or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2006. The Town received the following major State assistance programs from the State of Utah:

- B & C Road Funds
- Liquor Law Enforcement

Our audit also included testwork on the Town's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

- Public Debt
- Cash Management
- Purchasing Requirements
- Budgetary Compliance
- Property Tax Limitations
- Liquor Law Enforcement
- Justice Court Compliance
- B & C Road Funds
- Other General Issues
- Uniform Building Code Standards
- Impact Fees

The management of Huntsville Town Corporation, is responsible for the Town's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

Members of Utah Association of CPAs / American Institute of CPAs

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The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying Schedule of Findings. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Huntsville Town Corporation, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2006.

*Wink & Associates, P.C.*

November 27, 2006

# Huntsville Town Corporation

## Schedule of Findings State Legal Compliance

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### 1. Justice Courts Compliance

Utah Code Section 51-4-2(2)(a) requires all receipts to be deposited daily when practicable but not later than three days after receipt. During the audit, it was noted that two separate deposits out of the 20 sampled, were not made within the three day rule. We recommend that the Town review the procedures in place to ensure that all deposits are made within the three day period.

#### Management Response

Management will review the deposit procedures, and work with those responsible to make the deposit, to insure timely deposits in the future.